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CENTRAL INTELLIGENCE AGENCY

28 October 1955

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Implications of the Brazilian Presidential Election\*

1. Brazil's new leaders. The new president and vice-president elect of Brazil are Juscelino Kubitschek and Joao Goulart. In an election which appeared to be free they won by small pluralities. They headed a coalition ticket supported by the moderate Social Democratic Party (PSD) and leftist Labor Party (PTB). They are also believed to have received most of the Communist votes. (The Communist Party itself is outlawed). The Kubitschek-Goulart inauguration is scheduled for January 1956. The Social Democratic and Labor parties, as a result of last year's Congressional elections, have a majority of the seats in both houses of Congress.

2. Both victors were political supporters of former President Getulio Vargas, who committed suicide in August 1954 in the face of armed forces pressure for his resignation. Kubitschek, the son of a Polish immigrant father, rose to prominence in the Social Democratic Party (Brazil's largest) while governor of Minas Gerais by shrewd politicking and by carrying out a successful program of highway building and power development. Goulart, head of the Labor Party, made

\*This memorandum has been coordinated with OCI.

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his reputation as Vargas' Minister of Labor. His demagogic tactics and pro-Communist maneuvers eventually provoked the military to demand and secure his dismissal.

3. Prospects for a coup. Rumors of a military coup have been rife, reflecting the widespread belief that the armed forces will not allow a return of the Vargas influences which they successfully countered last year. However, the military leaders, because they lack an adequate pretext to justify open intervention, will be reluctant to abandon their traditional role of guardians of constitutional order. Nearly all the top generals are opposed to intervening at this time; instead, they have adopted a wait-and-see attitude. There is some threat from lower echelon officers, the so-called "colonels' group", who may try, for both personal and patriotic reasons, to seize power. Although the possibility of a military coup cannot be ruled out completely, it is almost certain that Kubitschek and Goulart will take office as scheduled.

4. Problems of the new administration. The prospect, at best, is for continuing political tension and economic difficulties in Brazil. Kubitschek's political predicament arises from the fact that he must control his aggressive, pro-Communist vice-president in order not to alienate the military and provoke a coup, while at the same time he must retain substantial support from the ranks of the Labor

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Party in order to control Congress. The ambitious plans which he has announced for rapid economic expansion through an increase in exports, domestic production, and foreign investment will almost certainly be impeded by the conflicting objectives of various powerful pressure groups. Inasmuch as Kubitschek is opposed to a policy of austerity to help finance economic expansion, inflation will almost certainly continue. We see nothing in Kubitschek's program, as such, likely to ameliorate substantially his balance of payments problem during the next few years.

5. Kubitschek, who tacitly accepted Communist support in the presidential campaign, appears not to believe that Communism is a serious problem in Brazil. We believe it unlikely that he will promote any substantial change in the government's somewhat indifferent attitude towards this problem. As a result, the Communists, possibly with Goulart's assistance, will make every effort to gain further positions of influence in organized labor and the bureaucracy. However, Kubitschek will probably resist these efforts in order not to antagonize the military. Whether or not the military intervene in the future will depend primarily upon the degree of provocation they receive from Kubitschek's policies and Goulart's activities.

6. Relations with the US. Kubitschek will almost certainly attempt to continue Brazil's traditionally close ties with the United States. He will probably cooperate with the US on major

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international political issues in the UN and the OAS, but he probably will expect in return economic cooperation in the form of US assistance to help carry out his development program. He has stated that he will welcome foreign private investment, but there are no specific indications that his government plans to provide a climate conducive to such investment. In the field of petroleum, which represents the largest and most important area for development, his government will find it almost impossible to overcome widespread sentiment for maintaining national ownership, a sentiment which is particularly strong in military circles.

FOR THE BOARD OF NATIONAL ESTIMATES: 25X1A9a

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